Consumer Electronics Association
2500 Wilson Blvd.
Arlington, VA
22201-3834 USA
(866) 858-1555 toll free
(703) 907-7600 main
(703) 907-7601 fax
www.CE.org

December 21, 2004

VIA ECFS
Mr. W. Kenneth Ferree
Chief, Media Bureau
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: *Ex Parte* Communications in CS Docket 97-80

Dear Mr. Ferree:

This letter is in response to the December 20, 2004 *ex parte* filing of the National Cable and Telecommunications Association (NCTA).

The Consumer Electronics Association (CEA) recognizes NCTA's efforts to provide arguments on behalf of the cable industry to further delay or eliminate the Commission's requirement, as currently written in 47 C.F.R. Section 76.1204, for all digital cable products -- including cable operator supplied set top box products -- to use separable security (*i.e.*, CableCARDs™) by July 1, 2006.

Cable has had years to prepare for the compliance date and has succeeded in delaying implementation every step of the way. The Commission said in its 1998 *Report & Order*, and on Reconsideration in 1999, that January 1, 2005, should provide an adequate transition period for the cable industry to move to reliance on a common interface. In 2003, the Commission decided to push the date back to July 1, 2006. There is simply no tangible case for any further delay.

NCTA's assertions that the costs associated with the separate security requirement will remain high are patently wrong. The "licensing, warranties and indemnification, and underlying security" costs that they cite are common to both renewable and hardwired security. NCTA's arguments that these costs are borne only by the cable industry are grossly misleading. Further, the argument that leased set-top boxes are leased at government-mandated prices is a total fallacy. Cable companies can and do charge whatever prices they choose.

The notion that cable MSOs will suddenly have to switch-out their entire fleets of set-top boxes, even though the regulation explicitly gives them the right to keep existing devices in service, also is unsubstantiated.

Innovation and consumer choice hang in the balance. The only tangible result of more than a decade of cable compatibility negotiations and regulation is that one-way televisions are at a significant disadvantage when compared to cable operators' own leased set-top boxes.

Only full-scale production to service MSO devices will achieve the combination of priority, investment, and volume necessary to lower acquisition costs, achieve reliability, and generate confidence for competitive entrants and consumers. NCTA's misguided belief that prices will remain high even after full-scale production defies the laws of economics, the marketplace, and common sense.

Further, any recognition of the prospective benefits of investment in competitive products, by competitors, is not apparent anywhere in this or any of NCTA's filings.

This letter is being provided to your office in accordance with Section 1.1206 of the Federal Communications Commission rules.

Very truly yours,

Julie M. Kearney

Julie M. Kearney
Senior Director, Regulatory Affairs

cc: The Honorable Michael K. Powell
Jonathan Cody
Jordan Goldstein
Stacy Robinson Fuller
Johanna Mikes Shelton
Catherine Crutcher Bohigian
Elizabeth Andrion
Deborah Klein
Rick Chessen
William Johnson
Steve Broeckaert
Mary Beth Murphy
Natalie Roisman
Alison Greenwald
John Wong
Thomas Horan